

# Forex Forward Points





## Forex Curve

### Forex Forward Points

- The term structure of Forex forward points, also known as Forex implied forward points, is defined as the relationship between the currency zero rate and maturity.
- Application of the market conventions for O/N and T/N points. O/N is overnight rate and T/N is tomorrow next.



## Forex Curve

### Forex forward points Construction

- Forex forward curve is derived using the arbitrage-free relationship between forward Forex rates and the discount rates of two currencies. It is also called interest rate parity.

$$D_Q = \frac{S}{F} D_B$$

- Forward foreign exchange rate is determined by Forex forward spreads. A forward spread is the difference between spot rate and forward rate. It is quoted as the number of basis points.



# Thank You

Reference:

<https://finpricing.com/lib/EqConvertible.html>